



**Department of
Veterans Affairs**

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Qs & As

June 2002

VA Procurement Reform

Q: Why did the Secretary establish a task force to look at procurement and acquisition reform?

A: The Secretary established the Procurement Reform Task Force in June 2001 to review all aspects of VA's acquisition system and improve it. The Office of Inspector General and stakeholders had expressed concerns about the effectiveness of VA's system, such as whether VA obtains the best possible prices and complies with acquisition regulations consistently.

Q: What is the total cost of the items VA procures?

A: Last year VA spent nearly \$6 billion in purchases, including pharmaceuticals, medical, dental and surgical supplies, prosthetic devices, equipment, information technology products and other items. By comparison, the purchases of the Department of Defense (DoD) in 2001 totaled over \$156 billion. VA ranks sixth in federal procurement spending. However, VA's number of purchases – more than two million in 2000 – made it second in procurement activity to DoD.

Q: How will the reforms affect veterans?

A: VA's acquisition system is vital not only because of the significant tax dollars spent but because it is integral to the mission of serving veterans. Efficiencies from increased volume-leveraged contracting and logistics system improvements will free resources that will help sustain high-quality VA health care for veterans.

Q: What were the specific goals of the task force?

A: Five major goals were established to improve VA's acquisition system: leverage purchasing power; standardize equipment and supplies; obtain and improve comprehensive procurement information; enhance organizational effectiveness and accountability; and ensure a sufficient and talented acquisition workforce.

Q: What were the task force's recommendations?

A: To accomplish each of these goals, the task force developed more than 60 recommendations, ranging from administrative and policy changes to greater use of partnerships with the Department of Defense.

Q: What were the task force recommendations for reducing contract redundancies?

A: The task force recommended increasing selection of standardized items; mandating the use of national contracts and the Federal Supply Schedules (FSS) for health care supplies; using tiered pricing (discounts based on minimum purchase commitments); consolidating

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high-tech medical equipment purchases; optimizing purchase card use; and coordinating contract requirements with the Department of Defense. The FSS permits VA facilities and other agencies to buy many commodities from existing contracts at favorable prices.

Q. Give some examples of items where more standardization and consolidation of purchasing might make a difference.

A. The biggest-dollar medical-surgical item VA purchases is a stent. VA buys stents of various types from 38 different vendors and spent more than \$20 million for them last year. Wide variation in describing types of surgical gloves used in hospitals makes it difficult to track identical items ordered from different distributors. Reducing the number of vendors will bring economies of scale and enable VA to receive discounts.

Q. What is the FSS?

A. Federal Supply Schedules are lists of contracts awarded for commercial items and services that allow purchasing of flexible quantities and deliveries.

Q. How does VA award contracts now?

A. VA uses a range of options, from nationally negotiated, committed-volume contracts to employees making simple, open-market transactions using purchase cards.

Q: Who chaired the task force; who were the members?

A: The task force was chaired by Dr. Robert Wiebe, director of VA's Veterans Integrated Service Network 21, the VA Sierra Pacific Network. This is the administrative center that coordinates VA health care services in central and northern California, northern Nevada, Hawaii, Pacific islands and the Philippines. VA Principal Deputy Assistant Secretary for Management Mark Catlett was the vice chair. Eleven more task force members represented both headquarters and VA field organizations, including medical and administrative professions.

Q: How did the task force examine VA's procurement system?

A: The task force members examined the overall structure of VA's acquisition system, including staffing and oversight functions. They reviewed documents prepared by the Office of Inspector General and other sources and conducted more than 100 interviews with VA officials, vendors, private health care organizations and others familiar with VA's acquisition program.

Q: How will procurement reform affect the government's health care system?

A: Implementation of the reforms will ensure that VA obtains the best available prices, complies with federal and VA acquisition regulations, makes the best possible use of purchase cards, implements systems to document purchases and provides an adequate

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acquisition work force. In addition, VA has more than 1,000 multi-year health care contracts, totaling more than \$10 billion, that cover the medical purchasing requirements of other government agencies. These include the Department of Defense (DoD), the Coast Guard, the Public Health Service, the Indian Health Service and the Bureau of Prisons. These agencies will benefit from VA's leveraged purchasing power.

Q: What areas of procurement were not addressed by the task force?

A: While recommended actions may affect all VA procurement areas, some areas received only passing consideration. The task force concluded that three areas (pharmaceuticals, information technology and capital asset acquisitions) had either already benefited from management attention and improvements or are being studied in other initiatives.

Q: How will VA ensure that it will meet its socioeconomic goals?

A: VA is dedicated to fulfilling its obligations in support of small businesses, disadvantaged veterans, service disabled veterans, women veterans and HUBZone programs. The task force recognized the importance of these programs and proposed the establishment of an Acquisition Board that would, among other responsibilities, foster a commitment to the program and monitor the achievement of these goals. Additionally, the task force recommended that VA pursue legislative and policy changes that would allow first-tier subcontracts to contribute to attainment of socioeconomic goals.

Q: How much money will be saved by implementing these reforms?

A: The task force recommendations will, over time, result in organizational efficiencies that will free resources to help sustain high-quality VA health care for veterans. "Savings" will come in avoiding costs -- getting more for existing dollars. It is anticipated that a cost avoidance of approximately \$250 million to \$450 million for medical/surgical and prosthetic items alone will be realized over the next five years. (These benefits will be in addition to the cost avoidances VA has already realized through pharmaceutical national contracting.) In addition, yet undefined savings will result from the other procurement system and procedural improvements after the entire 60-plus recommendations are implemented.

Q: The VA acquisition work force now includes 6,000 employees. Will the size of the work force change when the reforms are implemented?

A: Implementation is not expected to affect the size of the work force. The reforms will result, over time, in changes in the skills they require. The task force identified a need for a sustained, well-trained work force of acquisition professionals who can do the work required in a dynamic environment. The changes will enhance VA's use of not only its funds but its human capital.

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Q: Will the use of purchase cards continue? What advantages do they offer?

A: Yes. The task force believes the use of purchase cards is an efficient business tool, providing a timely, efficient means of buying goods and services, including items on the FSS. Use of purchase cards also simplifies procurement procedures and financial transactions. It provided a \$15.2 million rebate to VA in fiscal year 2001, returning dollars to care for veterans.

Q: How will the reforms affect existing contracts and contractors?

A: The changes will not affect existing contracts. The goal is to gain market leverage missed through fragmented procurement practices. In the future, the revised contracting hierarchy will encourage all contractors to obtain FSS contracts.

Q: What is the timeframe for implementing these reforms?

A: Implementation will begin immediately. The complexity of the more than 60 reforms will determine how long each one will take to implement. A tracking system is in place to ensure that progress is made on each reform.

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